

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: June 1, 2004
To: Lee Holloway, Chairman, Milwaukee County Board of Supervisors
From: Jerome J. Heer, Director of Audits
Subject: Audit Review - Wauwatosa School District's Reimbursement of Operating Costs of the Milwaukee County Department of Health and Human Services (MCDHHS) Schools for the 2002-03 School Year

The Wauwatosa School District provides teaching services at the MCDHHS schools pursuant to a contractual agreement. As part of the agreement, the Department of Audit reviews the School District's cost of providing teaching services and related reimbursements received from the Wisconsin Department of Public Instruction (DPI).

Our review has determined that for the 2002-03 school year, DPI has fully reimbursed the School District for all costs (\$2,657,637) associated with school operations. In addition, the agreement provides that the School District remit to Milwaukee County funds which represent a rental payment for the MCDHHS school facilities. This rental payment amounts to \$632,916 for the 2002-03 school year. The amount is due to Milwaukee County within 45 days of the release of this report.

Historically, DPI reimbursed the School District approximately one year after the end of the school year. For the ninth consecutive year, DPI paid the District 75 percent of their claim by the fall of 2003. Milwaukee County, in turn, received 75 percent of its rental payment (\$474,687) by November 2003 from Wauwatosa based on the earlier payment from DPI. The balance due Milwaukee County within 45 days of the release of this report is \$158,229.

Although not a problem this year, MCDHHS did notify the School District in December 2000 of its intent not to automatically renew the contract pending contract provision changes including that in future school years Milwaukee County receives its prorated share of any early reimbursements from DPI on a timely basis. We also had previously recommended that MCDHHS pursue contract language changes which would relieve Milwaukee County of any financial responsibility and/or provide a more equitable sharing of education costs not reimbursed by DPI. That situation occurred in the 2000-01 school year when the County was under-reimbursed by \$59,065. Considering the State's ongoing fiscal situation, shortfalls in future DPI reimbursements could, in all likelihood, become an issue.

Although MCDHHS had been negotiating contract language changes with School District officials for almost two and a half years, nothing has been finalized. Negotiations with the School District were languishing due to a change in the County's facility landlord from MCDHHS to the Department of Public Works (DPW). We understand that the Economic Development Division of the Department of Administrative Services is now the lead County department in negotiations with the School District.

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To expedite Milwaukee County's receipt of the payment (\$158,229) due from the Wauwatosa School District, we have issued this report without inclusion of MCDHHS and DPW management's response.

Please refer this report to the Finance and Audit Committee.

Jerome J. Heer

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, County Executive
Robert Slotterback, Superintendent, Wauwatosa School District
Linda Seemeyer, Director, Department of Administrative Services
Stephen Agostini, Acting Fiscal & Budget Administrator, Department of Administrative Services
William Hatcher, Acting Director, DAS-Economic Development Division
Paula Lucey, Director, Department of Health and Human Services
Chester Zurawik, Deputy Highway Commissioner, Department of Public Works
Jim Hill, Acting Administrator, Department of Health and Human Services, Behavioral Health Division
Terrence Cooley, Chief of Staff, County Board Staff
Steve Cady, Fiscal & Budget Analyst, County Board Staff
Lauri J. Henning, Chief Committee Clerk, County Board Staff

Audit Review of Wauwatosa School District's Reimbursement of Operating Costs of MCDHHS Schools for the 2002-03 School Year

Background

Milwaukee County has a contractual agreement with the Wauwatosa School District to provide teaching services at the Milwaukee County Department of Health and Human Services (MCDHHS) schools (Behavioral Health Division and Detention Center). The County agrees to reimburse the School District for any program costs not reimbursed by the Wisconsin Department of Public Instruction (DPI) as they apply to the residents of the MCDHHS schools. As a provision of this agreement, the County Department of Audit reviews the School District's request for State reimbursement prior to submission of such claims to DPI. Subsequently, the Department of Audit reviews reimbursements received from DPI and reports on the settlement between the School District and Milwaukee County. As an additional part of the contractual agreement, the School District reimburses MCDHHS funds which represent a rental payment for using school facilities. Within 45 days of release of the audit report, the School District must remit to Milwaukee County a rental payment for facilities.

Scope

Our audit review included the following procedures:

- Obtained written verification that County rental costs were included in the School District's request for State reimbursement;
- Examined copies of the School District's request for State reimbursement, prior to submission of such claims to DPI, to ascertain that all reimbursable costs have been included in the reimbursement claims;
- Verified reimbursement received from DPI to determine the settlement between the School District and Milwaukee County; and
- Reviewed the contractual agreement between the County and the School District.

Settlement for the 2002-03 School Year

As summarized on the attached **Exhibit**, the Wauwatosa School District will remit \$158,229 to Milwaukee County. The \$158,229 represents the remaining balance of the outstanding 2002-03 rental payment for the MCDHHS school facilities. We recommend that:

1. *DPW obtain payment due Milwaukee County from the School District within the stipulated 45 days from release of this report.*
2. *Economic Development Division continue negotiations with the School District regarding contract language changes so that Milwaukee County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis; and secondly that the County is relieved of any financial responsibility and/or is provided a more equitable sharing of educational expenses of the program if the DPI (State) does not reimburse all program costs.*

Exhibit

Audit Review of Wauwatosa School District's
Reimbursement of Operating Costs of MCDHHS Schools
for the 2002-03 School Year

School Facility Rental Charges		\$ 632,916
Less Net Unreimbursed Expenditures:		
Costs	\$ 2,657,637	
Less Reimbursed Expenditures	\$2,657,637	
Net Unreimbursed Expenditures		<u>0</u>
Total Amount Due From School District		\$ <u>632,916</u>
Less Amount Previously Received from School District		\$ <u>(474,687)</u>
Remaining Balance Due from School District		\$ <u>158,229</u>